Q-LF-1: Types and definitions of charges eligible for pass-through treatment.

A-LF-1: Below is a general description of the types of charges that competitive electricity providers ("CEPs") typically bill to some of their commercial and industrial customers on a pass-through basis under present market conditions. Charges subject to pass-through treatment may change in the future as the ISO New England, Inc. ("ISO-NE") markets continue to evolve.

Capacity Charges

Capacity charges represent the costs that CEPs incur to procure generating capacity for their customers through the Forward Capacity Market. Each customer's capacity charges are based on the customer's electricity demand as a percentage of the total electricity demand for the New England region during the annual system peak. The annual system peak is generally established during hot weather when air conditioning combines with other uses to set the highest electricity consumption for that year. Every customer is responsible for its share of required system capacity.

Locational Forward Reserve Market Charges

CEPs also incur costs on behalf of their customers to pay for generating reserves that are needed to ensure that Connecticut and the New England region have enough power in the event that transmission lines or power plants fail to operate as planned. These operating reserves are procured in the Locational Forward Reserve Market ("LFRM").

Congestion Charges

CEPs incur congestion charges when there are bottlenecks in the transmission system that prevent the least expensive supply of energy from being delivered to their customers. Congestion charges represent the net cost of the replacement energy that must be supplied by generators located closer to the customer's facilities to make up for the cheaper energy that cannot be delivered due to the transmission constraint. Congestion charges are sometimes called "locational marginal price differentials."

Uplift Charges

Uplift charges, generally speaking, are payments made to generation resources that must operate to provide electricity in power-constrained areas or to respond to local operating contingencies. These include resources that are under so-called "reliability-must-run" contracts. Uplift costs enable these resources to recover their variable costs of production on the days that they must operate when the ISO-NE would not have otherwise ordered the generators to run due to their higher costs.

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